

SD Guthrie (SDG MK)

Expect Stronger Showing In 3Q25

Highlights

- SDG's production trend for 8M25 remains on track to hit management's full-year FFB growth target of +3-5%.
- The plantation segment's earnings contribution is likely to remain strong with CPO prices still tracking ahead of management's 2H25 view.
- Maintain HOLD with an unchanged target price of RM5.00.

Analysis

- 1H25 results recap.** SD Guthrie's (SDG) 2Q25 core net profit rose 18% yoy and 0.4% qoq, with 1H25 results deemed above expectations. 2Q25's decent qoq performance was supported by both its upstream and downstream segments, with the former's fresh fruit bunch (FFB) output growth of 14% qoq partly offsetting weaker realised ASPs in 2Q25 while downstream EBIT picked up 56% qoq led by a recovery in trading and differentiated products' profits.
- Plantation segment still on track to hit FFB growth target for 2025.** Production-wise, its plantation segment's reported FFB output for July was up 5.2% yoy, albeit marginally down 0.8% yoy for August – bringing 8M25 FFB growth to 2.6% yoy – still within range of achieving management's full-year growth target of +3-5% yoy. We expect the segment to continue driving 2H25's results, with crude palm oil (CPO) prices in 2H25 still tracking ahead of management's relatively more cautious view of RM4,000-4,200/tonne so far. For its downstream segment, we expect performance to hold up qoq, with trading profits likely to remain steady amid reduced commodity price volatility.
- Update on new business verticals.** For its new industrial park operations, SDG has recently announced that the planned development of an integrated industrial park in Negeri Sembilan – under Eco Business Park 7 (EBP 7) SPV – is set to proceed, following the SPV's successful acquisition of 1,195 acres' freehold land from SDG for RM572.8m in end-Sep 25; SDG holds a 30% ownership interest in EBP 7. Separately, SDG's earlier bid for a 100MWac solar power plant under the Large Scale Solar 5+ (LSS5) programme has turned out to be unsuccessful. Nonetheless, we understand that the group remains intent to continue its pursuit of other solar opportunities.

Key Financials

Year to 30 Jun (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	18,428	19,831	22,980	22,599	22,874
EBITDA	3,270	4,102	4,323	3,959	3,765
Operating profit	1,839	2,649	2,773	2,368	2,174
Net profit (rep./act.)	1,860	1,527	1,789	1,561	1,493
Net profit (adj.)	812	1,527	1,789	1,561	1,493
EPS (sen)	11.9	22.5	26.3	23.0	22.0
PE (x)	41.6	22.1	18.9	21.6	22.6
P/B (x)	1.7	1.7	1.7	1.7	1.7
EV/EBITDA (x)	18.0	14.4	13.5	14.4	14.7
Dividend yield (%)	3.0	3.3	3.4	3.0	2.8
Net margin (%)	10.1	7.7	7.8	6.9	6.5
Net debt/(cash) to equity (%)	23.4	22.8	20.3	12.1	4.9
Interest cover (x)	18.7	34.5	38.3	144.1	158.3
ROE (%)	10.4	8.3	9.8	8.5	8.2
Consensus net profit	-	-	1,729	1,724	1,806
UOBKH/Consensus (x)	-	-	1.0	0.9	0.8

Source: SD Guthrie, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	RM5.26
Target Price	RM5.00
Upside	-5.4%

Analyst(s)

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Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	SDG MK
Shares issued (m):	6,915.7
Market cap (RMm):	36,373.3
Market cap (US\$m):	8,645.7
3-mth avg daily t'over (US\$m):	5.6

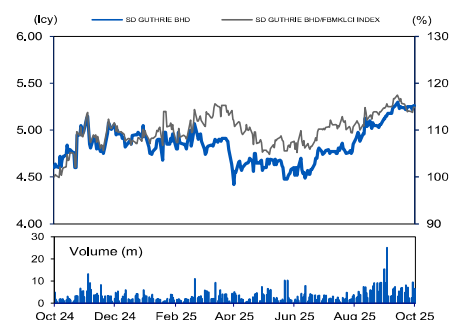
Price Performance (%)

52-week high/low		RM5.32/RM4.42		
1mth	3mth	6mth	1yr	YTD
2.7	10.7	19.0	14.4	5.6

Major Shareholders

Amanah Saham Nasional Bhd	53.3%
FY25 NAV/Share (RM)	2.90
FY25 Net Debt/Share (RM)	0.72

Price Chart



Source: Bloomberg

Company Description

The largest oil palm plantation company in Malaysia.

Valuation/Recommendation

- **Maintain HOLD with unchanged target price of RM5.00.** Our valuation is pegged to 22x 2026F PE (-0.25SD to the average five-year mean of 26x). While we still like SDG for its favourable production growth profile and medium-term prospects supported by new business verticals within renewables as well as industrial development, present valuations appear fair to us at the current juncture.

Earnings Revision/Risk

- **Maintain FY25-27 earnings estimates.** We previously revised our 2025-26 earnings estimates by 10%/5% respectively following 2Q25's results beat. We hence project a 17% yoy rise in 2025 core earnings, largely led by its plantation segment's stronger performance which is in turn driven by better ASPs and FFB production growth. We expect the group's estates across Malaysia, Indonesia and Papua New Guinea/Solomon Islands (PNG/SI) to post positive FFB growth for the full year (1H25: Malaysia -2% yoy, Indonesia +10% yoy, PNG/SI +7% yoy).

Share Price Catalyst

- Better-than-expected CPO prices and production growth.
- Accelerated development of new business verticals.
- Potential M&A activities.

Environmental, Social, Governance (ESG)

Environmental

- SDG announced that additional biogas plants would be built in Kedah and Negeri Sembilan. This allow it to work towards its carbon reduction target of 40% by 2030 (current: 18%).

Social

- The US Customs and Border Protection says palm oil produced by SDG is no longer "being mined, produced, or manufactured wholly or in part with the use of convict, forced, or indentured labour".

Governance

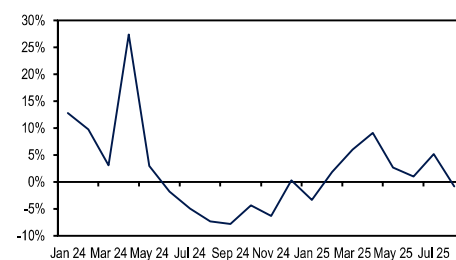
- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

1H25 Segment Earnings Drivers

	FY25F
FFB production growth	4.3% yoy
CPO Prices (Spot)	RM4,200/tonne

Source: UOB Kay Hian

Monthly FFB Production Growth YoY



Source: SD Guthrie

Profit & Loss

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Net turnover	19,831	22,980	22,599	22,874
EBITDA	4,102	4,323	3,959	3,765
Deprec. & amort.	1,453	1,550	1,591	1,581
EBIT	2,649	2,773	2,368	2,174
Total other non-operating income	-28	10	11	13
Associate contributions	-119	-113	-27	-24
Net interest income/(expense)	2,502	2,670	2,352	2,164
Pre-tax profit	-796	-677	-596	-530
Tax	-179	-204	-194	-140
Minorities	1,527	1,789	1,561	1,493
Net profit	1,527	1,789	1,561	1,493
Net profit (adj.)	19,831	22,980	22,599	22,874

Balance Sheet

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Fixed assets	19,365	19,911	20,416	20,922
Other LT assets	4,954	4,986	4,987	4,987
Cash/ST investment	625	2,115	3,547	4,820
Other current assets	520	-1,394	-3,425	-5,446
Total assets	32,047	33,613	33,480	33,371
ST debt	1,809	1,624	1,440	1,255
Other current liabilities	237	241	242	242
LT debt	3,537	4,678	4,679	4,679
Other LT liabilities	233	233	233	233
Shareholders' equity	20,718	20,718	20,718	20,718
Minority interest	443	516	583	599
Total liabilities & equity	32,047	33,613	33,480	33,371

Cash Flow

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Operating	3,013	2,821	3,641	3,411
Pre-tax profit	2,621	2,783	2,379	2,187
Tax	-796	-677	-596	-530
Deprec. & amort.	1,453	1,550	1,591	1,591
Working capital changes	-378	-953	63	-46
Other operating cashflows	113	119	205	208
Investing	-630	-641	-628	-640
Capex (maintenance)	-2,096	-2,096	-2,096	-2,096
Investments	0	1	2	2
Proceeds from sale of assets	1,452	1,452	1,452	1,452
Others	14	2	14	2
Financing	-1,621	-1,655	-1,505	-1,461
Dividend payments	-1,127	-1,163	-1,015	-971
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	-535	-300	-300	-300
Others/interest paid	6	8	10	10
Net cash inflow (outflow)	762	526	1,509	1,310
Beginning cash & cash equivalent	830	1,586	2,106	3,609
Changes due to forex impact	-6	-6	-6	-6
Ending cash & cash equivalent	1,586	2,106	3,609	4,913

Key Metrics

Year to 30 Jun (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	20.7	18.8	17.5	16.5
Pre-tax margin	12.6	11.6	10.4	9.5
Net margin	7.7	7.8	6.9	6.5
ROA	5.1	5.8	5.0	4.8
ROE	8.3	9.8	8.5	8.2
Growth				
Turnover	7.6	15.9	(1.7)	1.2
EBITDA	25.4	5.4	(8.4)	(4.9)
Pre-tax profit	14.1	(14.9)	(11.9)	(8.0)
Net profit	16.3	(17.3)	(12.7)	(4.4)
Net profit (adj.)	16.3	(17.3)	(12.7)	(4.4)
EPS	88.0	17.1	(12.7)	(4.4)
Leverage				
Debt to total capital	25.3	29.7	28.7	27.8
Debt to equity	25.8	30.4	29.5	28.6
Net debt/(cash) to equity	22.8	20.3	12.1	4.9
Interest cover (x)	34.5	38.3	144.1	158.3

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